

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6296

BILL NUMBER: HB 1285

DATE PREPARED: Nov 15, 2000

BILL AMENDED:

SUBJECT: Judges' Pensions.

FISCAL ANALYST: James Sperlik

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FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill: 1) provides that a person serving as a full-time magistrate on July 1, 2001, may make an election to become a member of the Judges' 1985 Benefit System, effective January 1, 2002. It provides that a person who begins serving as a full-time magistrate after July 1, 2001, shall be a participant in the Judges' 1985 Benefit System, effective January 1, 2002; 2) allows full-time magistrates who are participants in the 1985 Benefit System of the Judges' Retirement Fund to purchase service credit at full actuarial cost for prior service as a full-time commissioner, magistrate, or referee, or for prior service in PERF-covered positions other than full-time commissioner, magistrate, or referee; 3) requires the monthly benefits payable to participants, survivors, and beneficiaries under the 1985 Benefit System of the Judges' Retirement Fund to be increased by the same percentages and under the same conditions as monthly benefits are increased for members of PERF. (The introduced version of this bill was prepared by the Pension Management Oversight Commission.)

Effective Date: July 1, 2001; January 1, 2002.

Explanation of State Expenditures: *Judges' Retirement System:* (1) There are 32 full-time magistrates eligible to become members of the Judges' Retirement System as a result of this proposal. The cost of this provision is estimated to be approximately \$126,000 over the next five years, or approximately \$25,200 per year. The fund affected is the State General Fund. This assumes that all persons serving as magistrates and eligible to join the Judges' Retirement System on July 1, 2001, do so. If this is not the case, the estimated fiscal impact described above will be reduced. The specific impact will depend upon choices made by the sitting magistrates.

(2) The total cost of this provision is equal to the amount participants must pay. Therefore, there is no fiscal impact.

3) This provision is the cost-of-living adjustment for judges. The following illustrates the increase in recommended annual contribution to be paid by the state over the next five years (based on a projection of benefit payouts).

<u>Plan Year</u>	<u>Increase in Recommended Contribution</u>
2001-2002	\$89,117
2002-2003	94,464
2003-2004	100,131
2004-2005	106,139
2005-2006	<u>112,982</u>
Total	\$502,833

This bill would affect only those participants under the 1985 Judges' Retirement System. The increase in unfunded liabilities would be approximately \$5,100,000. The fund affected is the State General Fund. The Judges' Retirement System is a pay-as-you-go system.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: PERF as administrators of the Judges' Retirement System.

Local Agencies Affected:

Information Sources: Doug Todd of McCready & Keene, Inc., actuaries for PERF, the Judges' Retirement System, 576-1508.

DEFINITIONS

Cost of living - the average cost of the goods and services required by a person or family.

Pay-As-You-Go Method--The Pay-As-You-Go Method, sometimes called current disbursement cost method, is a method of recognizing the costs of a retirement system only as benefits are paid.

Unfunded Actuarial Liability (sometimes called the unfunded liability) of a retirement system at any time is the excess of its actuarial liability at that time over the value of its cash and investments.

Actuarial Cost - a cost used to associate the costs of benefits under a retirement system with the approximate time the benefits are earned.